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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 6, 2000

APPLICATION OF

SOUTHSIDE ELECTRIC COOPERATIVE

CASE NO. PUE000476

For approval of a special
rate and contract

ORDER FOR NOTICE AND HEARING

On September 12, 2000, Southside Electric Cooperative ("Southside" or "the Cooperative") filed an application under § 56-235.2 of the Code of Virginia with the State Corporation Commission ("Commission") for a special rate and contract. Southside seeks approval of Rate Schedule ArborTech Inc. - ID-AT ("Special Rate") whereby it would provide electric service to ArborTech, Inc. ("ArborTech"). ArborTech, a lumber producer and manufacturer of wood products, intends to construct a manufacturing facility on a 125 acre site adjacent to Fort Pickett Airfield in Nottoway County, Virginia. According to the Cooperative's application, ArborTech's new facility will create 50 new jobs for the community and will represent an investment of \$21 million for Nottoway County.

As indicated in Southside's application, the proposed contract rate has a monthly billing charge, a base rate for energy, a non-coincident demand charge, and a generation and

transmission charge. The monthly billing charge and the non-coincident demand charge are fixed values for the term of the contract. The base energy charge is subject to a monthly adjustment factor and provides for demand and energy cost adjustment factors to reflect the Cooperative's actual cost of demand and energy from Old Dominion Electric Cooperative ("ODEC") under Rate Schedule SSIDE2-OD. The generation and transmission charges are fixed until the end of 2003, and are subject to a monthly adjustment factor for the remaining term of the contract.

The term of the special rate and contract is for five years and would be applicable only for electric service where power supply services are supplied by Old Dominion Electric Cooperative ("ODEC") under the eligibility requirements of the ODEC Schedule SSIDE2-OD market based rate. The Cooperative has included a copy of ODEC Rate Schedule SSIDE2-OD with its application.

The Cooperative has requested a waiver of subdivisions 5 and 6 of Rule 20 VAC 5-310-10 of the Commission's Guidelines for Filing an Application to Provide Electric and Gas Service Under a Special Rate, Contract or Incentive ("Guidelines"), adopted in Case No. PUE970695.

Subdivision 5 of Rule 20 VAC 5-310-10 provides:

Describe in detail the estimated effect that service provided under the proposed special rate, contract, or incentive will have on total company revenues, total company expenses, and, if appropriate, on the return on rate base for the customer class in which the participating customer resides.

Subdivision 6 provides:

Describe in detail the rate impact of the proposal on the company's other customers and explain how the company will ensure that other customers will be protected from bearing any increased rates as a result of the proposed special rate, contract, or incentive. Explain how the utility will allocate or use any resulting benefits.

NOW, UPON consideration of the Cooperative's application, its request for exemption from subdivisions 5 and 6 of the Guidelines, and the applicable statutes, we note that subdivision 7 of Rule 20 VAC 5-310-10 permits an exemption from the analysis required in subdivisions 5 and 6 for customers with total loads aggregating no more than 5 MW provided that any such request shall provide an alternative analysis supporting the findings required by § 56-235.2 C and D of the Code of Virginia.

Indeed, in our Final Order in Case No. PUE970695, we did not adopt the recommendation of various parties that loads of 5 MW or less be automatically exempted from the Guidelines' required rate impact analysis.¹ As noted in the Final Order in

¹ See Commonwealth of Virginia, At the relation of the State Corporation Commission, Ex Parte, In re: Promulgation of Guidelines for Special Rates, Contracts or Incentives pursuant to Virginia Code § 56-235.2 D, Case No. PUE970695, 1998 S.C.C. Ann. Rept. 378, 381 ("Case No. PUE970695").

Case No. PUE970695, ". . . giving a special rate to a small customer or small portion of a utility's load may not have a significant impact on the utility's remaining customers as a whole, but could unreasonably prejudice or disadvantage an individual customer or a small group of customers which, . . . , is prohibited by § 56-235.2 C."²

The Cooperative notes on page 12 of the prefiled testimony accompanying its application that it filed data addressing the special rate's impact on the Cooperative in response to a Staff interrogatory relating to proposed Schedule ILG-e, the predecessor to the special rate now before us, in Case No. PUE000179.³ However, that data was not a part of the record in Case No. PUE000179, nor has this data been filed in this case as a part of this record.

Southside has filed Exhibit JWR-2 which summarizes ArborTech's load estimates, revenue, and cost projections, as well as the interest coverage provided by the special rate as part of its alternative analysis in this case, but this Exhibit presents no data regarding the effect of the proposed special rate on customers served under the rate Schedule under which

² Case No. PUE970695, 1998 S.C.C. Ann. Rept. at 381.

³ Application of Southside Electric Cooperative, Inc., For clarification of certificated area, or, in the alternative, a reclassification and certification of a previous service area pursuant to § 56-265.1 et seq. of the Code of Virginia, Case No. PUE000179.

ArborTech would be served (Industrial Power Rate Schedule I) if the Special Rate now under consideration were unavailable. As we observed in our Order adopting the Guidelines, we are required by statute to evaluate a special rate's impact on individual customers as well as on customer classes. The alternative analysis provided by Southside does not present sufficient information from which we can conclude that other customers will not be adversely affected.

Accordingly, we will grant an exemption from Subdivisions 5 and 6 of Rule 20 VAC 5-310-10 to Southside only if (1) Southside supplements its application in this case by filing data similar to that filed in response to the Staff's interrogatories in Case No. PUE000179, referred to at page 10 of Southside's prefiled testimony; and (ii) the Cooperative supplements its application by filing a cost analysis indicating how Southside's Special Rate would affect Industrial Rate Schedule I, the rate under which ArborTech would be served in the absence of the Special Rate proposed herein.

In addition, we find that this matter should be docketed for hearing after notice to all affected parties and will refer this matter to a hearing examiner who will conduct all further proceedings in this matter. The Commission will direct its Staff to investigate the application and to file testimony and exhibits of the results of this investigation.

Further, the General Assembly has directed that notice of an application for approval of a special rate or contract be given, in the words of § 56-235.2 A of the Code of Virginia, to "all affected parties". Consequently, as we determined in our Order for Notice and Hearing of January 13, 2000, in Application of Columbia Gas of Virginia, Inc., For approval of a special rate and contract, Case No. PUE990781, Doc. Con. Cntr. No. 000110305 (Jan. 13, 2000), a combination of newspaper publication and direct service are required to implement § 56-235.2's directive.

After reviewing the Company's application, it appears that Southside's special rate may affect all of the Cooperative's customers. In particular, the special rate may have an impact on the Cooperative's industrial power customers served under Industrial Power Rate Schedule I. Accordingly, the Commission will direct the general public notice ordered below.

Accordingly, IT IS ORDERED THAT:

(1) This application be docketed and assigned Case No. PUE000476, and that all associated papers be filed therein.

(2) A public hearing shall be held before a hearing examiner on the captioned application, beginning at 10:00 a.m., on November 28, 2000, in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia.

(3) As provided by § 12.1-31 of the Code of Virginia and Rule 7:1 of the Commission's Rules of Practice and Procedure ("the Rules"),⁴ 5 VAC 5-10-250, a Hearing Examiner shall be assigned to conduct further proceedings on behalf of the Commission and to file a final report with a transcript of this proceeding.

(4) On or before October 17, 2000, Southside shall file with the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, the information required at page 5, supra, together with an original and fifteen (15) copies of any additional direct testimony and exhibits that it intends to present in support of the captioned application.

(5) Copies of the Application and accompanying documents shall be available for public inspection in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday.

(6) Southside shall provide copies of its application at reasonable cost upon request to its counsel John M. Boswell, Esquire, Boswell & Williamson, P.O. Box 45, Crewe, Virginia 23930.

⁴ A copy of the Commission's Rules of Practice and Procedure may be obtained from the Clerk, State Corporation Commission, P.O. Box 2118, Richmond, Virginia 23218-2118. The Rules may be also found on the Commission's website at <http://dit1.state.va.us/scc/rules/rulestoc.htm>.

(7) Any person desiring to comment in writing on Southside's application may do so by directing such comments on or before November 6, 2000, to the Clerk of the Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Such comments must refer to Case No. PUE000476. Any person desiring to make a statement at the public hearing concerning the application need only appear in the Commission's second floor courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself to the Bailiff as a public witness.

(8) On or before October 30, 2000, any person desiring to participate in this proceeding as a protestant, as defined in Rule 4:6 of the Rules, 5 VAC 5-10-180, shall file an original and fifteen (15) copies of a notice of protest as required by Rule 5:16(a) of the Rules, 5 VAC 5-10-420 A, with the Clerk of the Commission and shall simultaneously serve a copy on counsel to Southside at the address set forth in Ordering Paragraph (6) above. Any corporate entity that wishes to submit evidence, cross-examine witnesses, or otherwise participate as a protestant must be represented by legal counsel in accordance with the requirements of Rule 4:8, 5 VAC 5-10-200.

(9) Within five (5) days of receipt of a notice of protest, Southside shall serve upon such person filing a notice

of protest a copy of all materials now or hereafter filed with the Commission.

(10) On or before November 6, 2000, each protestant shall file with the Clerk of the Commission an original and fifteen (15) copies of its protest, as required by Rule 5:16(b), 5 VAC 510-420 B, and an original and fifteen (15) copies of the testimony and exhibits that the protestant intends to offer in support of his protest and shall simultaneously serve one (1) copy of the protest, testimony, and exhibits on counsel to the Cooperative identified in Ordering Paragraph (6) above and on all other parties. The protest shall set forth (i) a precise statement of the interest of the protestant in the proceeding; (ii) a full and clear statement of the facts which the protestant is prepared to prove by competent evidence; and (iii) a statement of the specific relief sought and the legal basis therefor.

(11) The Commission Staff shall investigate the captioned application and, on or before November 10, 2000, shall file with the Clerk of the Commission an original and fifteen (15) copies of the testimony and exhibits that it intends to offer and shall promptly serve one (1) copy on Company and on all parties of record.

(12) On or before November 17, 2000, Southside may file with the Clerk of the Commission an original and fifteen (15)

copies of any rebuttal testimony and exhibits that it intends to offer in response to testimony and exhibits previously filed and shall simultaneously serve one (1) copy on Staff and all other parties of record.

(13) The Cooperative shall respond to written interrogatories or requests for the production of documents and things within five (5) business days after the receipt of the same. Protestants shall provide to the Cooperative, other Protestants, and Staff any workpapers or documents used in the preparation of their prefiled testimony promptly as requested, but no later than five (5) calendar days upon request. Except as so modified, discovery shall be in accordance with Part VI of the Rules.

(14) On or before October 17, 2000, Southside shall complete publication of the following notice as display advertising (not classified), on one occasion, in newspapers of general circulation throughout the Cooperative's service territory, including its service territory in Nottoway County, Virginia:

APPLICATION OF SOUTHSIDE ELECTRIC
COOPERATIVE, FOR APPROVAL OF A
SPECIAL RATE AND CONTRACT
CASE NO. PUE000476

On September 12, 2000, Southside Electric Cooperative ("Southside" or "the Cooperative") filed for approval of a special rate contract pursuant to § 56-235.2

of the Code of Virginia. The Cooperative seeks approval of a special rate and contract for electric service for ArborTech Inc. ("ArborTech"). ArborTech, a lumber producer and manufacturer of wood products, intends to locate a manufacturing facility on a 125 acre site adjacent to the Fort Pickett Airfield, in Nottoway County, Virginia. According to Southside's application and accompanying testimony, the proposed special rate is necessary to encourage ArborTech to locate in Southside's service territory. According to the Cooperative, the proposed special rate for ArborTech will cover the entire amount of Southside's power supply costs, the cost of the Cooperative's facilities to serve this load, the overhead and administrative costs of serving this load, and will also provide a return to Southside in the same manner as all other rates currently filed by the Cooperative with the Commission. According to the Cooperative's testimony, the addition of the ArborTech load will not jeopardize any other load currently being served by Southside.

Section 56-235.2 of the Code of Virginia was amended by the 1996 General Assembly to permit utilities to request special rates, contracts, or incentives for particular customers or classes of customers. Section 56-235.2 D of the Code of Virginia, as amended, includes a subsection that requires the Commission to issue guidelines for special rates, contracts, or incentives that will ensure that other customers are not caused to bear increased rates as a result of such special rates.

A public hearing on Southside's application shall be convened before a hearing examiner on November 28, 2000, at 10:00 a.m., in the Commission's second floor courtroom located in the Tyler Building,

1300 East Main Street, Richmond, Virginia
23219.

Copies of the Cooperative's application and supporting documents are available for public inspection in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. Copies of the application and supporting documents can be ordered at a reasonable charge from Southside's counsel, John M. Boswell, Esquire, Boswell & Williamson, P.O. Box 45, Crewe, Virginia 23930.

Any person desiring to comment in writing on Southside's application may do so by directing such comments to the Clerk of the Commission at the address set out below by no later than November 6, 2000. Such comments must refer to Case No. PUE000476. Any person desiring to make a statement at the public hearing concerning the application need only appear in the Commission's second floor courtroom at 9:45 a.m. on the day of the hearing and identify himself or herself as a public witness to the Commission's Bailiff.

Any person who expects to submit evidence, cross-examine witnesses, or otherwise participate pursuant to Rule 4:6 of the Commission's Rules of Practice and Procedure should promptly obtain a copy of the Order for Notice and hearing entered herein from the Clerk of the Commission for complete details of the procedural schedule and instructions on participation in this case.

Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at least seven (7) days before the scheduled

hearing date at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD).

All written communications to the Commission concerning the application should be directed to the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and must refer to Case No. PUE000476.

SOUTHSIDE ELECTRIC COOPERATIVE

(15) On or before October 17, 2000, Southside shall serve a copy of this Order for Notice and Hearing upon the Cooperative's customers served under Southside's Industrial Power Rate Schedule I at the customary place of business or residence of the person served. Service shall be made by first-class mail or hand-delivery.

(16) On or before October 17, 2000, Southside shall serve a copy of this Order for Notice and Hearing upon the Chairman of the Board of Supervisors of Nottoway County. Service shall be made by first-class mail or hand-delivery to the customary place of business or residence of the person served.

(17) On or before November 22, 2000, Southside shall file with the Clerk of the Commission proof of the newspaper publication directed in Ordering Paragraph (14) above and a certificate of service of copies of the Order as directed in Ordering Paragraphs (15) and (16) above, including the names and addresses of the persons served.